

OPEN MEETING AGENDA ITEM

Arizona PIRG

Education Fund

August 17, 2021

Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

RE: Docket Numbers E-00000V-19-0034

Dear Commissioners,

On behalf of the Arizona PIRG Education Fund, I am writing to express concerns with components of the recent report filed by Ascend Analytics and the related media blitz conducted by Chairwoman Marquez Peterson.

Background

Whether we praise or criticize a Commission decision, the Arizona PIRG Education Fund consistently appreciates processes at the Commission that are designed to gain credible data and information, generate diverse and varied perspectives, and provide stakeholders and ratepayers an opportunity to offer input.

In fact, proceedings at the Commission can often be described as marathon-like: substantial amounts of work over a significant period of time, strenuous, impacted by numerous factors, satisfying upon completion. However, the recent release of the Ascend report and the related media blitz conducted by Chairwoman Marquez Peterson within 24 hours of its release jumped the gun and as a result failed to adhere to commonly accepted practices.

The Arizona PIRG Education Fund anticipated the Ascend report would not be discussed by Commissioners until after Staff had the opportunity to review. Since items related to the report have been fast-tracked, we are providing initial comments, subject to change upon answers to questions and further evaluation.

Top Areas of Concern

1. Ascend did not provide an “independent” analysis.

On page two of the report, in the third paragraph, it states, “... the utilities developed expansion plans with their IRP portfolios as a starting point. Only minor modifications were necessary to the TEP and APS expansion plans because their IRP plans put them on track to meet the Energy Rules already...” In the fourth paragraph it states, “All modeling was performed in the utility’s licensed production cost model Aurora by Energy Exemplar by the utilities themselves rather than by Ascend Analytics....” And on

page 10, the top recommendation if the Commission wants more analysis is to “Commission a study using an independent analytical firm”

The above statements do not provide confidence that Ascend entered their analysis from a neutral or independent starting point. The report failed to consistently note whether they found utility assumptions, starting with the 2020 IRPs, to be accurate or faulty.

2. Report raises more questions than answers.

- a. What is the reasoning for the “confidential” classification of redacted data?
- b. What are the estimated cost breakdowns per each residential and non-residential customer class? What are the estimated high and low cost breakdowns (not average) per each residential and non-residential customer class?
- c. What are the estimated cost benefits per each residential and non-residential customer class? What are the estimated high and low cost benefits (not average) per each residential and non-residential customer class?
- d. What are the assumed costs and benefits of each of the resources (e.g., DSM, solar, wind, etc.) that comprise the various scenarios including to the grid, and externalities such as air quality attainment and water savings?
- e. Why is the “least-cost” portfolio “assumed to be one in which natural gas generation remained the primary resource for incremental capacity ...”? (page two, third paragraph)
- f. Why are APS and TEP using different revenue requirements? If the revenue requirements were consistent, how would the estimated costs and benefits compare? (page five)
- g. What is attributed to different customer usage assumptions leading to average rates having different base lines? (page five)
- h. What is the primary cost factor(s) that differentiates calculations by Ascend from each utility? (pages five-seven, most notably page seven)
- i. What is the primary factor(s) that differentiates estimated bill impacts for an APS vs. a TEP ratepayer? (page eight)
- j. Why is it assumed the “most significant cost increases would occur between the 2040 and 2050 time frame ...”? And why is it assumed this is “due to the need to convert natural gas fired power plants to burn expensive green hydrogen ...”? (page eight)
The Arizona PIRG Education Fund does not recall the Commission providing the go-ahead for utilities to move in this direction nor would it be in the best interest of ratepayers.
- k. Why are “green hydrogen” and “advanced nuclear” highlighted next to “long-duration storage” as what is needed to cost-effectively achieve higher than 80% clean energy while maintaining reliability? (page eight). The Arizona PIRG Education Fund is not aware of any modeling that points to either as a viable cost-effective option for Arizona ratepayers.
- l. Why isn’t the following more front-and-center as a key statement? “We believe these results are directionally consistent with an emerging consensus that decarbonizing the power sector until at least 80% - 90% clean energy is achievable and cost-effective with today’s technology over a timespan covering the next two decades.” (page eight – note the quote references a NREL study)

- m. Why wasn't a more thorough study authorized and enabled to be conducted within a more reasonable timeframe? (page nine)
- n. Why wasn't an independent reliability analysis conducted? (page nine)
- o. Why was the study performed deterministically vs. a distribution of possible outcomes? (page nine)
- p. Why didn't the study put more value on the EIM? (page nine) What assumptions did the study make in regard to participation of APS and TEP in the EIM and the costs and benefits to ratepayers?
- q. Why didn't the study analyze a more robust DSM scenario, given historic net benefits to ratepayers?
- r. Why didn't the study analyze a more robust EV scenario, given projected net benefits to ratepayers?
- s. Why is there a recommendation to "Commission a study using an independent analytical firm"? (page 10) Wasn't that what Ascend was hired to conduct?
- t. Why wasn't an analyst hired that uses "best-in-class 'HD PCMs'"? (page 10)
- u. Why weren't other sectors, such as transportation and building electrification, included? (page 10)
- v. Why weren't both supply, and demand-side, solutions investigated? (page 10)
- w. Why weren't capacity expansion and scenario designs utilized? (page 10)
- x. Why weren't reliability analysis, resiliency, and climate impacts included? (page 10)
- y. Why isn't there a model run of Four Corners retiring earlier than 2031? (page 11)
- z. Did Ascend review independent reports from highly-regarded entities such as Strategen Consulting and Ceres? To the best of our knowledge, the findings from these reports, which have been docketed, have not been disputed and document significant financial benefits to Arizonans.

3. Commissioner and Commission Staff time and \$\$\$ are being wasted.

As you know, each time the Commission spends Commissioner or Staff time or dollars from its budget to have an analysis conducted and evaluated, or the Commission directs utilities to provide information, there is a financial impact to Arizonans.

Overall, although the Ascend report provides details in a number of instances, the study lacks necessary independence and data. If the primary purpose of the report was to evaluate the 2020 IRPs, the analysis falls short. If the secondary purpose of the report was to provide an analysis of the Energy Rules, the assessment fails most notably by disregarding the opportunity to document benefits in addition to costs.

While we recognize there were Commission imposed time and budget constraints, the bottom line is Arizonans are paying for a report did not produce the intended information. And even though we typically appreciate Chairwoman Marquez Peterson's leadership and approach with fellow Commissioners, stakeholders, and ratepayers, issuing a news release within 24 hours of a docketed report – a report that was subsequently updated to correct errors while the news release was not – fails to adhere to commonly accepted Commission practices and desired next steps would also unnecessarily cost ratepayers.

Respectfully, we urge the Commission to revisit or clarify policies in which the Chair or a Commissioner (in the last year there have been examples of both) states a position on an item prior to publicly receiving questions, comments, and input from fellow Commissioners, Commission Staff, stakeholders and interested ratepayers. The Arizona PIRG Education Fund is concerned that when a Commissioner publicly states or alludes to her or his position prior to acting from the bench it may call prejudgment of the matter into question, inappropriately elevate one proceeding over another, create confusion among ratepayers, and provide additional work for Staff that were hired to work on behalf of the Commission, not an individual Commissioner.

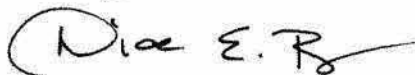
In regard to the Energy Rules, the Chairwoman's news release states, "The Chairwoman has committed not to place the matter on an agenda for a final vote or approval until commissioners have a chance to hear from customers what they think about the potential costs and benefits."

The Arizona PIRG Education Fund supports ample opportunities for the public to provide input and in the instance of the Energy Rules, we commend the Commission for the multiple occasions where ratepayers have been able to address you. Arguably, there have been more independent reports filed, more written comments, and more public comment sessions than any rulemaking at the Commission, at least within the last couple of decades¹.

Ratepayers have seen media citing information from the reports, time-and-time again have demonstrated their support for the Energy Rules -- many relaying stories of saving money through energy efficiency and/or solar, and continue to signify that they are ready for a more efficient and a cleaner energy future. Further, in the last year, a majority of Commissioners have voted on three occasions to advance the Energy Rules. The route to the final vote has been set. Time for the Commission to get back on the course, embrace key findings from various reports and information in the docket, and get the Energy Rules across the finish line.

Please feel free to contact me directly at (602)318-2779 (c) or dbrown@arizonapirg.org with any questions.

Sincerely,



Diane E. Brown
Executive Director

¹ The webpage <https://www.arizonaenergyrules.com/supporters> chronicles written and oral comments on the Energy Rules. According to the webpage, "Thousands of Arizonans, businesses small and large, trade associations, non-governmental organizations, faith leaders, and local governments have all weighed in in support of Arizona's new energy rules."